

Message Text

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PAGE 01 STATE 113040
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-----012225 032352Z /61
P 032201Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE PRIORITY

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E.O. 11652:N/A

TAGS:EGN, EFIN, YO

SUBJECT:YUGOSLAV GUARANTEE ARRANGEMENTS FOR EXIMBANK

REFERENCE: BELGRADE 3241

1. EXIMBANK AGREES TO SEND TECHNICAL TEAM TO CONDUCT
NEGOTIATIONS ON GUARANTEE ARRANGEMENTS BEGINNING MONDAY
MAY 15. TEAM PLANS TO ARRIVE SUNDAY MAY 14 AT 1655 FROM
LONDON VIA JAT 211 AND WILL INCLUDE RAYMOND J. ALBRIGHT
VICE PRESIDENT, ROY SHROBE LOAN OFFICER, STEPHEN G. GLAZER
COUNSEL, V. ANTHONY CARBONAR, COUNSEL. EMBASSY IS REQUESTED
TO RESERVE FOUR SINGLES WITH BATH AT HOTEL MOSKVA FOR NIGHTS
MAY 14 THROUGH 19 AS TEAM EXPECTS TO DEPART MAY 20.

2. DARRYL JOHNSON, ARRIVING BELGRADE MAY 7, IS CARRYING
DRAFT TEXTS PREPARED BY EXIM FOR DISTRIBUTION AS SOON AS
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PAGE 02 STATE 113040

POSSIBLE TO APPROPRIATE YUGOSLAV PARTIES TO PERMIT THEIR
ADVANCE PREPARATION. PACKAGE INCLUDES:
(1) EXCHANGE OF LETTERS BETWEEN CHAIRMAN MOORE AND FINANCE
SECRETARY, (2) A ONE-TIME FOREIGN EXCHANGE ASSURANCE LETTER
TO EXIM FROM NATIONAL BANK, (3) GUARANTEE AGREEMENT BETWEEN
EXIM AND YUGOSLAV BANK CONSORTIUM, (4) EXIM LETTER
OUTLINING INFORMATION TO BE PROVIDED BY YUGOSLAV BANKS

PURSUANT TO THE CONSORTIUM GUARANTEE AGREEMENT. EXIM

SUGGESTS THAT ENTIRE PACKAGE BE DELIVERED TO FINANCE SECRETARIAT AND NATIONAL BANK WITH WHOM ITEMS 1 AND 2 WOULD BE NEGOTIATED.

3. GUARANTEE AGREEMENT AND INFORMATION LETTER SHOULD BE DELIVERED TO WHOMEVER EMBASSY AND FINANCE SECRETARIAT DEEM MOST APPROPRIATE AS BEST MEANS TO OBTAIN NECESSARY PARTICIPATION BY YUGOSLAV BANKS. IDEALLY, WE WANT TO ENLIST MAXIMUM POSSIBLE FACILITATION BY FINANCE SECRETARIAT, SO THEY MIGHT DISTRIBUTE THOSE TWO DOCUMENTS TO THE BANKS INVOLVED. FINANCE SECRETARIAT IDEAS ARE ALSO WELCOMED ON HOW BEST TO ARRANGE NEGOTIATIONS WITH THE BANKS. ONE POSSIBILITY WOULD BE A WORKING GROUP OF SELECTED, KNOWLEDGABLE BANKERS WITH OR WITHOUT REPRESENTATIVES OF FINANCE AND NATIONAL BANK PARTICIPATING. ALTERNATIVELY ALL BANKS COULD BE REPRESENTED FROM THE OUTSET. EXIM HAS LISTED ALL THOSE BANKS WE EXPECTED TO PARTICIPATE (RECOGNIZING NAMES ARE CHANGING) BUT ANY OTHER BANK AUTHORIZED TO CONDUCT FOREIGN OPERATIONS IS WELCOME TO ADHERE TO THE AGREEMENT, EITHER NOW OR LATER.

4. IN THE CONSORTIUM GUARANTEE AGREEMENT EMBASSY WILL NOTE ROLE FOR AN AGENT TO FACILITATE COMMUNICATION IN THE INTEREST OF BOTH THE YUGOSLAV BANKS AND EXIMBANK. ALL EXIM LIMITED OFFICIAL USE

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PAGE 03 STATE 113040

COMMUNICATIONS UNDER THIS GUARANTEE AGREEMENT WOULD RUN TO THE AGENT AND EXIM HOPES THIS ROLE COULD BE ASSUMED BY THE SECRETARIAT OF THE ASSOCIATION OF YUGOSLAV BANK, ALTHOUGH ALTERNATIVES MAY EMERGE DURING THE TALKS. THUS, IT WOULD BE USEFUL TO INCLUDE THEIR REPRESENTATIVES IN THE MEETINGS AT THE RIGHT TIME. EXIM OF COURSE WANTS TO BEGIN TALKS FIRST WITH FINANCE AND NATIONAL BANK, AND IS PREPARED AS NECESSARY TO DIVIDE ITS TEAM FOR SIMULTANEOUS WORK ON DIFFERENT POINTS IN ORDER TO FACILITATE WORK COMPLETION DURING THE WEEK OF MAY 15.

5. EXIM HAS TRIED TO DESIGN AN OVERALL PACKAGE TO (A) REFLECT VIEWS EXCHANGED OVER PAST MONTHS, (B) ESTABLISH A SYSTEM WHICH COULD OPERATE WITH MAXIMUM PROCEDURAL SIMPLICITY IN THE INTEREST OF YUGOSLAV BUYERS, US EXPORTERS AND COMMERCIAL BANKS IN BOTH COUNTRIES, (C) INCORPORATE IN THE CONSORTIUM GUARANTEE AGREEMENT ONLY LANGUAGE REALLY NEEDED AND WHICH IS ALREADY FAMILIAR TO YUGOSLAV BANKS FROM THEIR PRIOR LOAN AGREEMENTS WITH EXIM. THE PROPOSED PROCEDURES CALL FOR A GUARANTEE FROM A YUGOSLAV BANK ON EACH TRANSACTION FOLLOWING PROCEDURES ALREADY USED WITH EXIM AND GENERALLY IN ADDITION A JOINT

AND SEVERAL GUARANTEE FROM THE CONSORTIUM OF BANKS.

THE JOINT AND SEVERAL GUARANTEE IS CRITICAL TO THE EXIM APPROACH AT THIS STAGE OF YUGOSLAV BANK FINANCIAL CONDITIONS AND STRUCTURES AND THE CHANGING NATURE OF THE YUGOSLAV BANKING SYSTEM, SO WE DO NOT WANT TO MISLEAD THE YUGOSLAVS ON THIS POINT. EXIM ENVISAGES THAT ACCEPTANCE OF SINGLE GUARANTORS WITHOUT THE ADDITIONAL JOINT AND SEVERAL GUARANTEE SHOULD BE POSSIBLE IN SELECTED TRANSACTIONS AS DETERMINED ON A CASE-BY-CASE BASIS AND MAY INCREASE OVER TIME DEPENDING ON EVOLUTION OF THE YUGOSLAV BANKING SYSTEM AND THE DEGREE TO WHICH INDIVIDUAL BANKS CLARIFY THEIR FINANCIAL CONDITION AND OPERATIONS BY PROVIDING FULLER INFORMATION.
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PAGE 04 STATE 113040

6. THE EMBASSY MAY PROVIDE THE BACKGROUND DESCRIBED IN THIS MESSAGE TO APPROPRIATE YUGOSLAV PARTIES TO FACILITATE THEIR REVIEW OF THE DRAFT DOCUMENTS. EXIM APPRECIATES CONTINUING EMBASSY SUPPORT. CHRISTOPHER

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